

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 TRSE-00 SS-15 NSCE-00
USIE-00 AID-05 CIAE-00 COME-00 FRB-03 INR-10
NSAE-00 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01
STR-07 CEA-01 PA-01 L-03 H-01 AGRE-00 INRE-00
/090 R

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E:J WILSON
EUR/RPE:R GELBARD
EA: HCOCHRAN

-----017864 081556Z /43

O R 081544Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY LONDON IMMEDIATE
INFO AMEMBASSY PARIS
AMEMBASSY BRUSSELS
AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 059136

US OECD FOR PARIS, US EEC FOR BRUSSELS

E.O. 11652: GDS

TAGS: ETRD, EFIN, JA, EEC, UK

SUBJECT: BRITISH VIEW OF JAPANESE ECONOMY

REFS: A) LONDON 2889; B) LONDON 2205; C) LONDON 1690,
D) STATE 23517

1. EMBASSY SHOULD INFORM BUTLER OF FCO THAT DEPARTMENT
APPRECIATES RECEIVING HM TR:ASURY FORECASTS OF JAPANESE
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ECONOMY. U. S. GOVERNMENT AGENCIES ARE CONTINUING ONGOING
ANALYSIS OF DEVELOPMENTS IN JAPAN AS NEW ECONOMIC POLICIES
ARE IMPLEMENTED AND INCREASED DATA BECOMES AVAILABLE. DE-
PENDENT ON VARIOUS ASSUMPTIONS, OUR INTERNAL ASSESSMENTS
AND FORECASTS ARE AT VARIANCE WITH THE UK'S, ESPECIALLY THE
PROJECTED CURRENT ACCOUNT SURPLUS. WHILE WE ARE WILLING TO
DISCUSS INFORMALLY OUR VIEWS WITH BRITISH OFFICIALS, WE DO

NOT BELIEVE IT IS NECESSARY TO RECONCILE ALL DIFFERENCES IN OUR PROJECTIONS. A DEFINITIVE JUDGMENT ON LIKELY OUTCOMES WOULD PRESENTLY SEEM PREMATURE. PROJECTIONS WILL CHANGE AS NEW INFORMATION BECOMES AVAILABLE. WE ALSO WISH TO AVOID THE APPEARANCE OF WORKING IN CONCERT WITH HMG OR OTHER GOVERNMENTS IN ORDER TO ACHIEVE AN AGREED ASSESSMENT WHICH COULD BE USED TO PUT PRESSURE ON GOJ TO TAKE ADDITIONAL EXPANSIONARY MEASURES.

2. WHILE INFORMAL, BILATERAL TALKS MAY BE USEFUL, WE BELIEVE THAT ESTABLISHED INTERNATIONAL FORA PROVIDE A BETTER FRAMEWORK FOR DISCUSSION OF THE ECONOMIC POLICIES AND PROSPECTS OF JAPAN AND OTHER COUNTRIES. THE OECD EDRC REVIEW OF JAPAN IN JUNE WILL PROVIDE A GOOD OPPORTUNITY FOR MANY COUNTRIES TO SHARE THEIR VIEWS OF JAPANESE PERFORMANCE AS WILL MID-MAY OECD MEETING OF SHORT-TERM FORECASTERS AND SUBSEQUENT MAY 29-31 SESSIONS OF EPC AND WP-3. RECENT MEETINGS OF THE WP-3 AND THE EPC HAVE ALREADY AFFORDED GOOD OPPORTUNITIES FOR DISCUSSION.

3. WE HAVE NOT COMPLETED OUR ANALYSIS OF THE BRITISH PAPER TRANSMITTED REFTEL (B). OUR PRELIMINARY VIEW, HOWEVER, IS THAT THE BRITISH HAVE SUBSTANTIALLY OVERESTIMATED THE SIZE OF THE 1978 CURRENT ACCOUNT SURPLUS. WE EXPECT THE SURPLUS TO DECLINE IN 1978. WE ARE ALSO MORE OPTIMISTIC WITH RESPECT TO JAPAN'S GROWTH PROSPECTS. WE NOTE
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THAT BRITISH PROJECTIONS MAY HAVE BEEN REVISED SINCE REFTEL (B) WAS TRANSMITTED. DURING AN IMF EXECUTIVE BOARD MEETING ON FEBRUARY 24, THE UK EXECUTIVE DIRECTOR REPORTEDLY REMARKED THAT THE UK FORECAST FOR THE JAPANESE 1978 CURRENT ACCOUNT SURPLUS WAS OF THE SAME MAGNITUDE AS IN 1977, I.E., DOLLARS 11 BILLION.

4. GRIFFITHS OF THE BRITISH EMBASSY INFORMS US THAT BUTLER HAS ASKED THEM TO FOLLOW UP ON THIS. U. S. OFFICIALS WHO ARE FOLLOWING JAPANESE PROJECTIONS ARE PREPARED TO HAVE INFORMAL DISCUSSIONS IN WASHINGTON WITH UK OFFICIALS ON CURRENT FORECASTS OF THE JAPANESE ECONOMY. WE ARE PLANNING TO CALL IN GRIFFITHS TO HAVE AN EXCHANGE OF VIEWS. HOWEVER, AS INDICATED ABOVE, IT MUST BE UNDERSTOOD THAT ANY INFORMAL EXCHANGES WILL NOT LEAD TO A JOINT APPROACH TO THE JAPANESE. IT MUST ALSO BE AGREED THAT ANY INFORMAL DISCUSSIONS WILL NOT LEAD TO A UK DEMARCH TO THE GOJ IN WHICH THE UK CLAIMS WE ARE SUPPORTING OR AGREEING TO ITS ASSESSMENT. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, GOVERNMENT REACTIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE059136
Document Source: CORE
Document Unique ID: 00
Drafter: CHERVIN/EA/EP:RUARNE:BT
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780104-0705
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780392/aaaaczrt.tel
Line Count: 113
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6bf60fcb-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 LONDON 2889, 78 LONDON 2205, 78 LONDON 1690
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 21 jun 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3401692
Secure: OPEN
Status: NATIVE
Subject: BRITISH VIEW OF JAPANESE ECONOMY
TAGS: ETRD, EFIN, JA, UK, EEC
To: LONDON
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/6bf60fcb-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014